Fact Sheet for Unused Sick Leave at Retirement

Revised January 1, 2011

House Bill 213, Unused Sick Leave at Retirement Amendments, in its entirety, will become effective for all retirements April 16, 2006, and later, and all benefits will be calculated as described below in "Amended Program I and Enacted Program II". Employees with retirement dates of April 1, 2006, or earlier can retire with benefits calculated under both the new and old program (Program I will be calculated as described below in "Current Benefit feature" and Program II will be calculated as described below in "Enacted Program II".

The changes this bill makes to the benefit are summarized in the following table.

Changes to the Sick Leave Retirement Benefit

Current Benefit feature	**Amended Program I – For hours accrued up to December 31, 2005**	**Enacted Program II – For hours accrued after January 1, 2006**
Employee may receive up to 25% of the value of sick leave at retirement as cash, as a transfer to a 401(k), or set aside for the purchase of health care insurance.	Employee receives 25% of the value of sick leave as a mandatory employer contribution* into a 401(k) account.	Employee receives 25% of the value of sick leave as a mandatory employer contribution* into a 401(k) account.
The sick leave balance left after the cash out and mandatory deduction is available to purchase health care insurance at the rate of 8 hours for one month's premium.	The hours remaining after the 401(k) contribution and the required deduction are set aside for the purchase of health care insurance at the rate of 8 hours for one month coverage***.	The remaining sick leave is assigned a dollar value** and placed in an interest earning health care reimbursement program to pay for health related costs.
An employee can accrue up to 320 hours of converted sick leave to be used as paid up health insurance, added to the 401(k), or cashed out at retirement. It can also be used by the employee as annual or sick leave prior to retirement.	Employee receives 25% of the value of converted sick leave as a mandatory employer contribution* into a 401(k) account. 75% can be used to purchase health insurance at the rate of 8 hours for one month's premium***. It can also be used by the employee as annual or sick leave prior to retirement. The converted sick leave program ends on January 1, 2014.	Employee receives 25% of the value of converted sick leave as a mandatory employer contribution* into a 401(k) account. 75% is converted to a value** and is placed in a health reimbursement account at retirement. It can also be used by the employee as annual or sick leave prior to retirement. The converted sick leave program ends on January 1, 2014.

An employee whose retirement date is on or after April 16, 2006, will see the following:

- Twenty five percent of sick and converted sick in both programs will be contributed to the employee's 401(k) account at the employee's final rate of pay; no cash will be given for these hours and they cannot be used to purchase additional months of insurance.
- The remainder of the balance of sick leave hours in program I will be available for the purchase of health care insurance at the rate of 8 hours of leave for one month of coverage.

- The remainder of the balance of converted sick leave hours in Program I will be available for the purchase of health insurance at the rate of 8 hours of leave for one month's coverage.
- The remainder of the balance of sick leave hours in program II (sick and converted sick), will be assigned a dollar value** and credited to the State's health care reimbursement program under program II.
- Beginning in 2011, employees may make a one-time and irrevocable election to transfer all unused sick leave and converted sick hours from Program I hours into Program II hours.

*An employer and employee may jointly contribute up to $49,000 (under age 50) or up to $54,500 (age 50 and over) to the employee's 401(k) account or up to the employee's total earnings in the calendar year in which the transfer is made (2011 limits). Utah Retirement Systems recommends that employees contact the Defined Contribution Department at least one year prior to retiring.

** The dollar amount placed in the health reimbursement program is based on the employee's Program II unused sick leave balance and the employee's hourly rate of pay at retirement. The bill provides that an employee's rate of pay for purposes of this contribution … "shall not be less than the average rate of pay of state employees who retired in the same retirement system … during the previous calendar year". For example, if program II were in effect for an employee who retires in 2011 in the non-contributory system, that amount would be $24.17 (2007 average retiree rate) or the employee's hourly rate, whichever is greater.

*******Per UCA 67-19-14(1), the insurance that is purchased with sick leave shall be (a) "Continuing medical and life insurance benefits" meaning the state provided policy of medical insurance and the state provided portion of a policy of life insurance, each offered at the same:

(i) benefit level and the same proportion of state/member participation in the total premium costs as an active member…

(ii) coverage level for a member, two person, or family policy as provided to the member at the time of retirement.

Example: A person retiring without employee coverage at retirement would **NOT be eligible for retiree insurance.** A person retiring with member only coverage at retirement would NOT be eligible to purchase retiree insurance for their spouse, but **would be eligible to continue the member only coverage at retirement.**

The following scenarios provide examples of how the benefit will be calculated at retirement for employees in different situations.

HB 213 SCENARIO A

Employee retires in 2023 with 30 years of service
Employee will be age 51 at retirement.
Employee's salary at retirement is $22.00 per hour.

This employee, at retirement, has 1000 hours of sick leave and 140 hours of converted sick leave in Program I and 1768 hours of sick leave and 180 hours of converted sick leave in Program II. How much insurance will this employee be able to purchase in Program I and how much money will be placed into a "medical reimbursement account" in Program II?

	PROGRAM I	PROGRAM II	TOTAL BENEFIT
Sick Leave Earned	1212	1588	
Converted Sick Leave Hours	+140	+180	
Total Leave Earned	1352	1768	
Sick Leave Used	-212	-0	Time off work
Total Hours	**1140**	**1768**	
25% to 401(k)	-285	-442	727*22.00= $15,994 into 401(k)
Subtotal	**855**	**1326**	
Deduction?	No		
State Provided Insurance?	No		(Benefit has been phased out)
Insurance Purchase (subtotal/8=months) *round down to whole number	855/8= 106		106 months of insurance or 8.83 years
Remainder hours?	7		
$ to "Medical Reimbursement Account" (subtotal*hourly rate) *use average retiree's salary in previous 12 months or employee's salary, whichever is greatest	7	1326	1333*$24.17= $32,218.61 (Employee was given the average retiree's salary as it was greater than their own salary)

**This scenario does not factor in coverage for a spouse. Employees who need to purchase a separate policy for their spouse must spend 8 hours on their own policy and 8 hours for their spouse. This scenario is designed only to show the effects of HB213 and does not replace the official retirement worksheet.*